

# California MEDICAL ASSOCIATION

## NOTICES & REPORTS

### Physician Fee Index Survey

*Report of the Bureau of Research and Planning, California Medical Association*

A PHYSICIAN FEE INDEX recently calculated for the three-month period ended on December 31, 1962, shows that physicians' fees in California have risen approximately 1 per cent since the quarter ended September 30 of that year. The six-month span since the Index was begun has evidenced an over-all increase of 1.65 per cent, with the April 1-June 30 quarter serving as the base period. The earlier increment from June to September was slightly over six-tenths of 1 per cent.

Fees for *medical* procedures, including office, hospital, and home visits, consultations, and electrocardiogram with interpretation and report (diagnostic) advanced slightly more rapidly than did the Index for the total of 28 procedures surveyed. The six-month increase amounted to 1.75 per cent. The comparable change in fees for 15 relatively common *surgical* procedures was 1.63 per cent. These procedures range in degree of difficulty from the removal of a foreign body from the surface of the cornea to a cholecystectomy.

Within the field of *Radiology*, the five x-ray diagnostic procedures surveyed show an average increase of 1.54 per cent from June to December. Fee changes for two *laboratory* procedures are measured (complete blood count and routine urinalysis); these averaged an increase of 0.65 per cent during the six-month period.

The survey questionnaire requested fee information for two procedures in addition to the 28 included in the Index. These data were used for purposes other than estimating the degree of change taking place in physicians' fees; hence, they are not reflected in this report.

These data were secured from a continuing study being conducted by the Bureau of Research and Planning of the California Medical Association. A mail questionnaire elicits information from a group of almost 500 randomly selected physicians as to

their "usual and customary" fees for 28 medical, surgical, radiological, and laboratory procedures. Each procedure is weighted according to the frequency of its performance within the State, based upon relative occurrences within a sample of one million claim forms. Hence, slight changes in the average charge for a routine office visit would have a substantially greater effect on the Index than would a similar dollar or per cent change in the charge for an appendectomy. The weighting system considers the cost of the procedure in addition to its frequency of occurrence. The total Index, then, represents the change in the costs of a "total package" of physicians' services.

Each physician respondent is requested to enter his usual and customary fee for any of the listed procedures which he may have performed during the three-month period prior to each quarterly survey date. Definitions of the procedures included in the questionnaire appear in the 1960 edition of the *Relative Value Studies* published by the California Medical Association. Included in the index computations are only those fees for procedures which an individual respondent has performed within two successive periods. This method helps to insure comparability of data over the elapsed time period and also serves to exclude fees charged by physicians for procedures they perform only in rare instances.

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The Index is calculated on the basis of weighted mean figures. The average fee for each procedure is multiplied by its relative frequency of performance. The weighted averages for the 28 procedures are totaled, with comparisons between survey periods forming the Index. Only two successive periods are used to compute any index figure because the natural attrition of respondents over time can cause meaningless changes in average fees. Hence, every figure from every physician included in computations for the December Index has a September counterpart. The September Index, as will be the case in future indices, was likewise formed using this method with June as its counterpart.

Both specialists and general practitioners are included in the sample. Although the individual price charged for a particular procedure performed by a specialist may be somewhat higher than that charged by a general practitioner (among the 28 procedures the mean fee charged by the specialist is 19 per cent higher than that of the general practitioner), the rate of change within the two groups is virtually identical. Within the sample of 492 physicians who have continued to respond through the December survey period, there are 116 general practitioners and 376 full- and part-time specialists; GPs are slightly under-represented, since they account for approximately 32 per cent of all physicians in private practice and slightly under 24 per cent of the sample. In 13 of the procedures, however, at least half of all responses were from GPs, since each GP is able to enter fees for a large number of procedures, whereas the pathologist, for example, can enter fee data for only two procedures. However, since the rates of change in fees between specialists

and GPs are similar, the slight disproportion in response rate is of negligible importance.

It is of interest that during this same six-month period the physician fee segment of the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor showed an increase of 1.07 per cent nationally. The BLS Index surveys five procedures (office and home visit, tonsillectomy, appendectomy, and obstetrical care) rather than the 28 included in the Bureau of Research and Planning Index. Using the quarter ended June 30, 1962, as the base period, the comparable figures are as indicated in the following table.

Pricing Period	1. Physician Fee Index Component* Bureau of Labor Statistics (5 items)	2. Physician Fee Index Bureau of Research and Planning (28 items)	3. Physician Fee Index Bureau of Research and Planning (5 items)
June, 1962 .....	100.00	100.00	100.00
September, 1962 ....	100.45	100.61	100.63
December, 1962 ....	101.07	101.65	101.54

\*A component of the Consumer Price Index.

Columns 1 and 3 in the table may best be compared since the medical procedures included are identical. The data appear to indicate that, over the six months, fees rose more rapidly in California than in the total United States. The continuing study is expected to provide additional insight as to what differentials, if any, exist over longer periods of time.

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